Data on Current Status of County Mental Health Programs Pursuant to AB 328, Salinas

Executive Summary

"Realignment" of mental health funding occurred in 1991, primarily in response to a large budget deficit. Realignment was designed to:

- Shift program responsibilities from the state to counties.
- Provide a dedicated revenue stream to pay for these new responsibilities in mental health, social and health services.
- Provide counties with the flexibility to meet local needs and provide effective, efficient mental health services within a comprehensive, community-based framework.

Consistent with statutory requirements, this report analyzes what has happened to mental health revenues, expenditures and services over the last ten years, since Realignment occurred.

The major findings are as follows:

1. **Total realignment funds have kept pace with population changes and inflation. However, the growth of realignment funds provided to counties for most county mental health programs was less than the growth in population and inflation.**

   The total realignment funds for social services, public health and mental health combined increased from the initial amount of $1.95 billion in Fiscal Year (FY) 91/92 to $3.54 billion in FY 00/01. This ten-year growth rate of 82% equates to an average compound annual growth rate of 6.8%. Population and cost of living annual increases for the same period were 76% or an annual rate of 6.5%. Growth for mental health realignment funding statewide and for many counties was less than the overall rate due to the following:

   a) Growth in mental health realignment allocations has been significantly less than the social services realignment program, due primarily to funding of social services caseload expenditures from sales tax growth funds.
   b) Some of the realignment growth for mental health was specifically set aside for equity distributions. In FY 00/01, $96 million of the total mental health realignment amount was intended to address historic inequities experienced by some, but not all, counties.
   c) Counties had the option to transfer funds among the three realigned programs. Over the 10 years of realignment, there have been transfers into and out of the mental health sub-account with an overall net amount transferred out of mental health of $74 million, which is less than 1% of the cumulative statewide realignment funding for this sub-account.

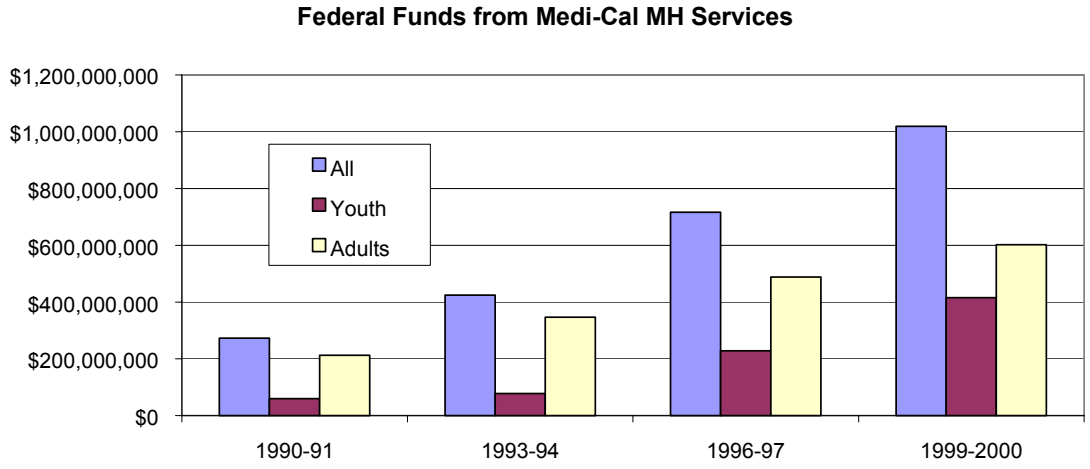
2. Counties have received increased federal funding for mental health services in recent years, due to changes the State made in the mental health Medi-Cal program.

Since Realignment in 1991, the state made three major changes in the mental health Medi-Cal program:

- Implementation of a Medicaid State Plan Amendment in July of 1993 which added services available under the Rehabilitation Option to the Short-Doyle/Medi-Cal (SD/MC) scope of benefits
- Consolidation of the Fee-For-Service system in the private sector with the county SD/MC system into a single system of managed mental health care provided through the county mental health programs
- Expansion of Medi-Cal Services to Medi-Cal beneficiaries under 21 years of age under the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Medi-Cal benefit. Counties receive State General Funds (SGF) to match federal EPSDT funds for this expanded benefit.

These changes provided to county mental health programs a growing source of federal revenue, and in the case of EPSDT, an additional source of SGF revenues for outpatient services for youth under age twenty-one. (Counties provide the state/local match for the balance of the mental health Medi-Cal services.) Inpatient consolidation also provided counties with additional SGF dollars that they were able use more efficiently by reducing inpatient admissions and expenditures and investing in more clinically and cost effective community-based alternatives. Figure 1 shows the increase in Medi-Cal revenues over four data points beginning with FY 1990-91 for both adults and children/youth.

Figure 1
Medi-Cal Costs[a/]



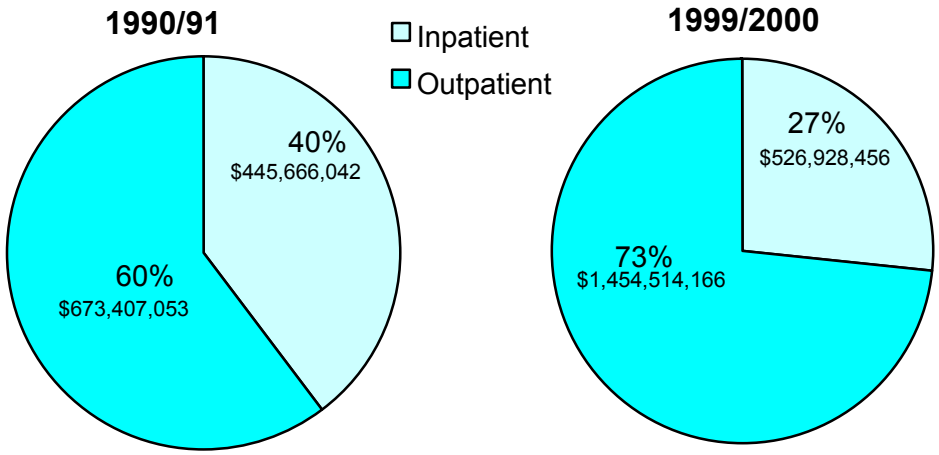
a/ Excludes Medi-Cal Administrative Activities (MAA).

3. **Access to community based mental health services has improved.**

   The independent assessment of the mental health Medicaid waiver in August 1999 found that "overall, there has been a steady increase in the number of clients accessing mental health services."

   In addition, there has been a shift in services from more costly and restrictive inpatient services to less costly and restrictive community-based outpatient services, as shown in Figure 2.

Figure 2
Comparison of Inpatient and Outpatient Costs[a/]



a/ Excludes outreach services and Medi-Cal Administrative Activities (MAA).

4. **Despite these changes, mental health programs are not able to continue to generate sufficient revenues to keep pace with increased client and service usage, and increases in expenditures for services.**

   The number of mental health clients served and expenditures for services for these clients have both risen dramatically over the last ten years. Table 1 shows the increase in number of clients statewide over the four data points. This increase was largely in the Medi-Cal population and greater for youth than for adults.

   Since FY 1990-91, total expenditures for public specialty mental health services have increased 72% from $1.2 billion to over $2 billion in FY 1999-00. Total expenditures for service have been affected by a number of factors,

which may include: inflation; increased service usage; provision of a greater intensity of services to enable individuals with severe mental illness to remain in the community; rapid increases in Medi-Cal services for children and youth under the EPSDT benefit; shortages of acute and long-term treatment beds; insufficient housing; and the overall health staffing shortages in California. Table 1 compares the percentage growth in realignment since FY 1990-91 with the rate of medical inflation and client growth combined in public mental health programs.

Table 1
Comparison of Realignment, Clients, and Medical Inflation

Region	Average Annual Percent Change 1990-91 to 1999-2000		
	Realignment Growth[a/]	Total Clients	Adjusted for Clients and Medical Inflation[b/]
Bay Area	2.4%	2.2%	6.7%
Central	3.8%	4.5%	9.1%
Los Angeles	2.3%	3.4%	7.9%
Southern	4.4%	7.8%	12.5%
Superior	2.5%	5.4%	10.0%
Total	3.1%	4.7%	9.3%

[a/] Compares expenditures on realigned mental health programs from fiscal year 1990-91 to the fiscal year 1999-2000 realignment allocations.

[b/] The statewide medical inflation rate used (4.4%) represents the blended rate of the Home Health Market Basket Index and the Medical component of the CPI. The percentage change shown is the Realignment growth that would have been expected, if fully adjusted to account for the impact of client growth and medical inflation combined.